

SALINA CITY
FINANCIAL STATEMENTS
JUNE 30, 2005

C O N T E N T S

| | Page |
|--|------|
| INDEPENDENT AUDITOR'S REPORT | 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 5 |
| BASIC FINANCIAL STATEMENTS: | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS: | |
| STATEMENT OF NET ASSETS | 17 |
| STATEMENT OF ACTIVITIES | 18 |
| FUND FINANCIAL STATEMENTS: | |
| BALANCE SHEET | 19 |
| BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS | 20 |
| STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES | 21 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 22 |
| STATEMENT OF NET ASSETS - PROPRIETARY FUND | 23 |
| STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND | 24 |
| STATEMENT OF CASH FLOWS - PROPRIETARY FUND | 25 |
| NOTES TO FINANCIAL STATEMENTS | 26 |
| REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED): | |
| BUDGETARY COMPARISON SCHEDULES: | |
| GENERAL FUND | 50 |
| COMBINING FINANCIAL STATEMENTS AND SCHEDULES: | |
| NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE, CAPITAL PROJECT AND PERMANENT FUNDS | 54 |
| GOVERNMENTAL FUNDS: | |
| COMBINING BALANCE SHEET | 55 |
| COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS | 56 |
| PROPRIETARY FUNDS: | |
| COMBINING STATEMENT OF NET ASSETS | 57 |
| COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS | 58 |
| COMBINING STATEMENT OF CASH FLOWS | 59 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 61 |
| AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE | 63 |

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Salina City
Salina, Utah 84654

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salina City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Salina City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salina City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2005, on our consideration of Salina City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 15 and 50 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council
Salina City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Salina City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Salina City. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 23, 2005
Richfield, Utah

SALINA CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

This discussion of Salina City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The City's purpose is to provide general services to its residents which includes general government, public safety, highways and public improvements, economic development and parks and recreation.

Financial Highlights

- * The assets of the City exceeded its liabilities as of the close of the most recent year by \$8,961,238 (net assets). Of this amount, \$677,120 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets decreased by \$128,499. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the City's governmental funds reported ending fund balances of \$693,290, a decrease of \$368,708 in comparison with the prior year. Approximately 63 percent of this total amount, \$438,846, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$528,870, or 36 percent of total general fund expenditures.
- * The City's total debt decreased by \$374,152 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Salina City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

SALINA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public health, highways and public improvements and parks and recreation. The business-type activities of the City are the enterprise funds; water, sewer, sanitation and pressurized irrigation services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Salina City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Salina City maintains four governmental funds, the general fund, capital projects fund, building authority and a redevelopment agency fund.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Salina City maintains four types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, sanitation and pressurized irrigation operations.

SALINA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer enterprise funds are considered major funds of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Salina City, assets exceeded liabilities by \$8,961,238 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (89 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Salina City's Net Assets

| | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and Other Assets | 806,152 | 1,094,630 | 416,575 | 292,056 | 1,222,727 | 1,386,686 |
| Capital Assets | <u>4,602,274</u> | <u>4,582,352</u> | <u>9,227,900</u> | <u>9,515,687</u> | <u>13,830,174</u> | <u>14,098,039</u> |
| Total Assets | <u>5,408,426</u> | <u>5,676,982</u> | <u>9,644,475</u> | <u>9,807,743</u> | <u>15,052,901</u> | <u>15,484,725</u> |

SALINA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Salina City's Net Assets - Continued

| | Governmental Activities | | Business Type Activities | | Total | |
|----------------------------|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Long-Term Liabilities | 1,481,956 | 1,802,777 | 4,000,271 | 4,416,364 | 5,482,227 | 6,219,141 |
| Other Liabilities | 304,707 | 111,131 | 304,729 | 108,762 | 609,436 | 219,893 |
| Total Liabilities | 1,786,663 | 1,913,908 | 4,305,000 | 4,525,126 | 6,091,663 | 6,439,034 |
| Net Assets: | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | 2,946,994 | 2,745,120 | 4,994,030 | 5,077,881 | 7,941,024 | 7,823,001 |
| Restricted | 254,444 | 518,280 | 88,650 | 106,885 | 343,094 | 625,165 |
| Unrestricted | 420,325 | 499,674 | 256,795 | 97,851 | 677,120 | 597,525 |
| Total Net Assets | 3,621,763 | 3,763,074 | 5,339,475 | 5,282,617 | 8,961,238 | 9,045,691 |

A portion of the City's net assets (4 percent) represents resources that are subject to external restrictions how they may be used. The remaining balance of unrestricted net assets, \$677,120, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased the City's net assets by \$185,355. Key elements of the changes are shown below.

Salina City's Changes in Net Assets

| | Governmental Activities | | Business Type Activities | | Total | Total |
|----------------------|----------------------------|---------|-----------------------------|---------|---------|---------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | 201,529 | 202,584 | 796,510 | 781,539 | 998,039 | 984,123 |
| Operating Grants | 166,827 | 366,382 | - | - | 166,827 | 366,382 |
| Capital Grants | 164,991 | 92,142 | - | - | 164,991 | 92,142 |
| General Revenues: | | | | | | |
| Property Taxes | 334,506 | 148,296 | - | - | 334,506 | 148,296 |
| Other Taxes | 372,366 | 508,174 | - | - | 372,366 | 508,174 |
| Impact Fees | - | - | 12,900 | 14,000 | 12,900 | 14,000 |

**SALINA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Salina City's Changes in Net Assets - Continued.

| | Governmental Activities | | Business Type Activities | | Total | |
|--|----------------------------|-----------|-----------------------------|-----------|-----------|-----------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Sale of Fixed Assets | 17,300 | 60,927 | - | - | 17,300 | 60,927 |
| Unrestricted Investment Earnings | 35,083 | 11,093 | 7,080 | 2,912 | 42,163 | 14,005 |
| Total Revenues | 1,292,602 | 1,389,598 | 816,490 | 798,451 | 2,111,097 | 2,188,049 |
| Expenses: | | | | | | |
| General Government | 261,943 | 222,804 | - | - | 261,943 | 222,804 |
| Public Safety | 503,302 | 570,240 | - | - | 503,302 | 570,240 |
| Highways | 352,715 | 465,258 | - | - | 352,715 | 465,258 |
| Parks & Recreation | 281,891 | 320,922 | - | - | 281,891 | 320,922 |
| Economic Development | 22,506 | 19,130 | - | - | 22,506 | 19,130 |
| Interest on Long-Term Debt | 55,600 | 23,862 | 78,639 | 114,449 | 134,239 | 138,311 |
| Business Type Activities | - | - | 680,995 | 674,883 | 680,995 | 674,883 |
| Total Expenses | 1,477,957 | 1,622,216 | 759,634 | 789,332 | 2,237,591 | 2,411,548 |
| Decrease in Net Assets Before Transfers | (185,355) | (232,618) | 56,856 | 9,119 | (128,499) | (223,499) |
| Transfers | - | - | - | - | - | - |
| Increase in Net Assets | (185,355) | (232,618) | 56,856 | 9,119 | (128,499) | (223,499) |
| Net Assets - Beginning | 3,807,118 | 4,039,736 | 5,282,619 | 5,273,498 | 9,089,737 | 9,313,234 |
| Net Assets - Ending | 3,621,763 | 3,807,118 | 5,339,475 | 5,282,617 | 8,961,238 | 9,089,735 |

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the City's net assets by \$56,856. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SALINA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental funds reported ending fund balances of \$693,290 an decrease of \$368,708 in comparison with prior year. Approximately 63 percent of this amount, \$438,846 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: 1) highways and public improvements, \$121,500, 2) bond reserves, \$88,900, and 3) perpetual care, \$44,044.

The general fund is the chief operating fund of the City. At the end of the current year unreserved fund balance of the general fund was \$528,870, while total fund balance reached \$739,270. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36 percent of total general fund expenditures, while total fund balance represents 50 percent of that same amount.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year were \$256,795. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business type activities.

General Fund Budgetary Highlights

Differences between original budget and final amended budget of \$72,241 can be briefly summarized as follows:

- * \$18,675 increase in general government.
- * \$6,000 increase in judicial.
- * \$14,850 increase in public safety.
- * \$42,850 increase in streets and public improvements.
- * \$277,172 decrease in parks, recreation and public property.
- * \$200 increase in debt service.
- * \$377,736 increase in capital outlay.
- * \$110,898 decrease in transfers

Of the total general fund expenditures, \$278,802 was funded out of prior year's unreserved fund balance.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2005, was \$4,602,274 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and public improvements.

SALINA CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued.
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Capital Asset and Debt Administration-continued.

Salina City's Capital Assets
(net of depreciation)

| | Governmental Activities | | Business Type Activities | | Total | |
|----------------------|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | 641,770 | 641,770 | 138,200 | 138,200 | 779,970 | 779,970 |
| Water Shares | - | - | 101,703 | 101,703 | 101,703 | 101,703 |
| Infrastructure | 1,970,700 | 2,035,350 | - | - | 1,970,700 | 2,035,350 |
| Buildings | 1,545,423 | 1,596,709 | 53,981 | 55,803 | 1,599,404 | 1,652,512 |
| Water & Sewer System | - | - | 8,870,278 | 9,131,603 | 8,870,278 | 9,131,603 |
| Equipment | 444,381 | 308,523 | 63,738 | 88,378 | 508,119 | 396,901 |
| Total | 4,602,274 | 4,582,352 | 9,227,900 | 9,515,687 | 13,830,174 | 14,098,039 |

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the City had bonds outstanding of \$5,459,270, notes payable of \$49,319 and capital leases of \$335,961.

| | Governmental Activities | | Business Type Activities | | Total | |
|-----------------------------|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Capital Leases | 335,961 | 383,599 | - | 7,758 | 335,961 | 391,357 |
| Notes Payable | 49,319 | 60,217 | - | - | 49,319 | 60,217 |
| General Obligation Bonds | - | - | 1,521,643 | 1,573,276 | 1,521,643 | 1,573,276 |
| Revenue Bonds | 1,253,000 | 1,358,961 | 2,684,627 | 2,835,330 | 3,937,627 | 4,194,291 |
| Total Long-Term Debt | 1,638,280 | 1,802,777 | 4,206,270 | 4,416,364 | 5,844,550 | 6,219,141 |

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately \$9,600,000. The total general obligation debt at year end was \$1,521,643.

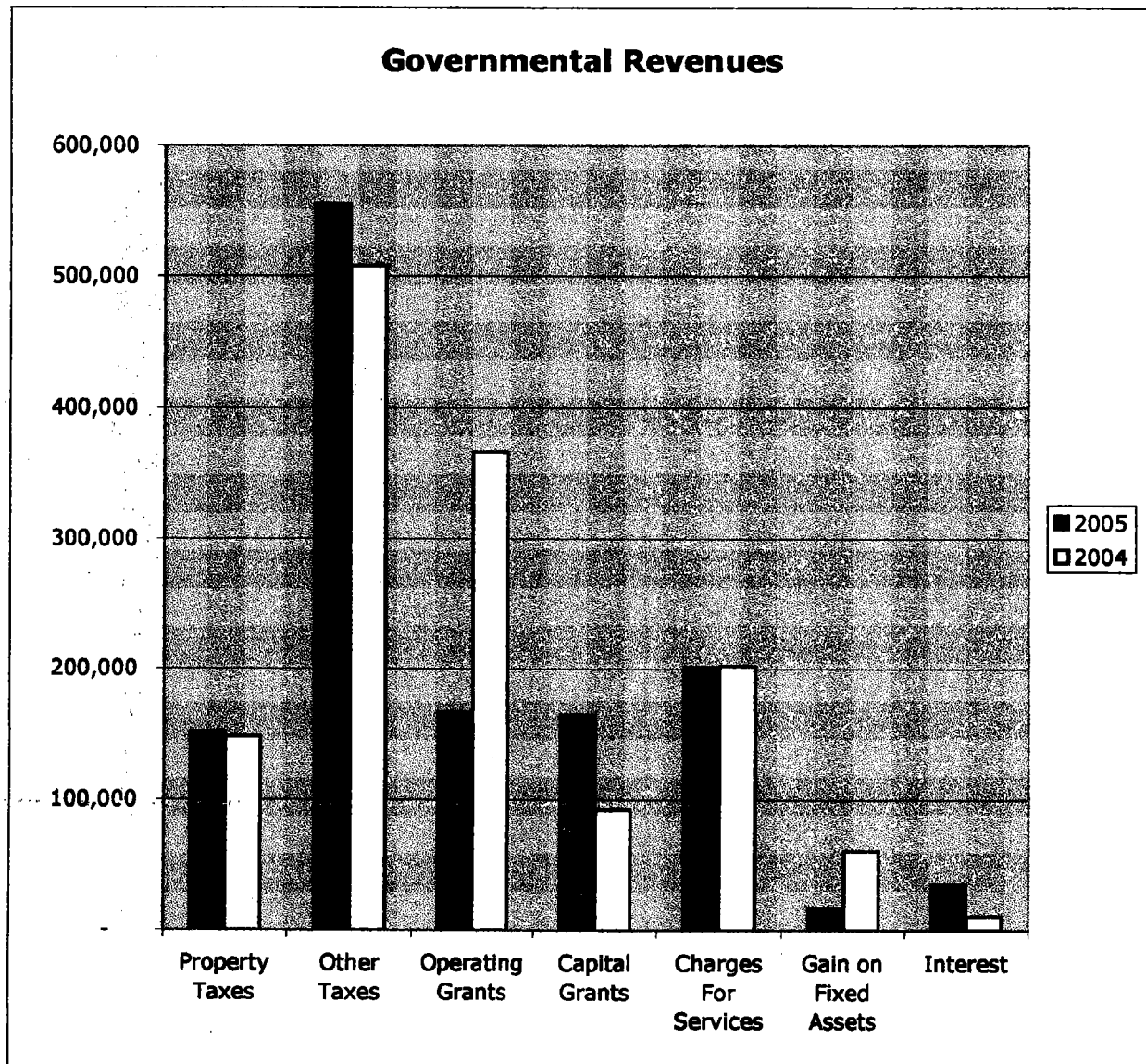
Additional information on the City's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Salina City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Salina City Recorder, P.O. Box 69, Salina, Utah 84754.

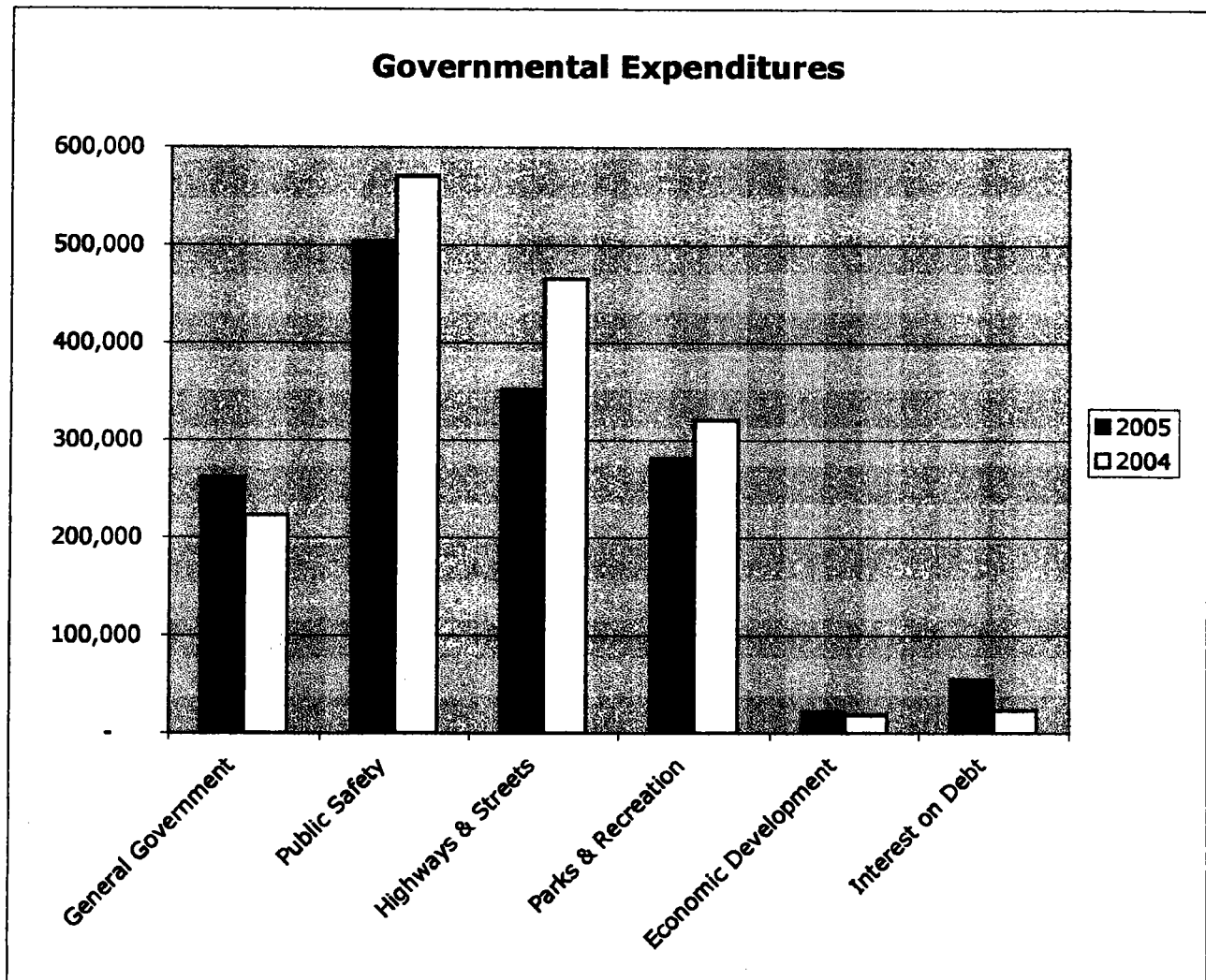
**Salina City
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

| | 2005 | 2004 |
|-----------------------|------------------|------------------|
| Property Taxes | 151,683 | 148,296 |
| Other Taxes | 555,189 | 508,174 |
| Operating Grants | 166,827 | 366,382 |
| Capital Grants | 164,991 | 92,142 |
| Charges For Services | 201,529 | 202,584 |
| Gain on Fixed Assets | 17,300 | 60,927 |
| Interest | 35,083 | 11,093 |
| Total Revenues | 1,292,602 | 1,389,598 |



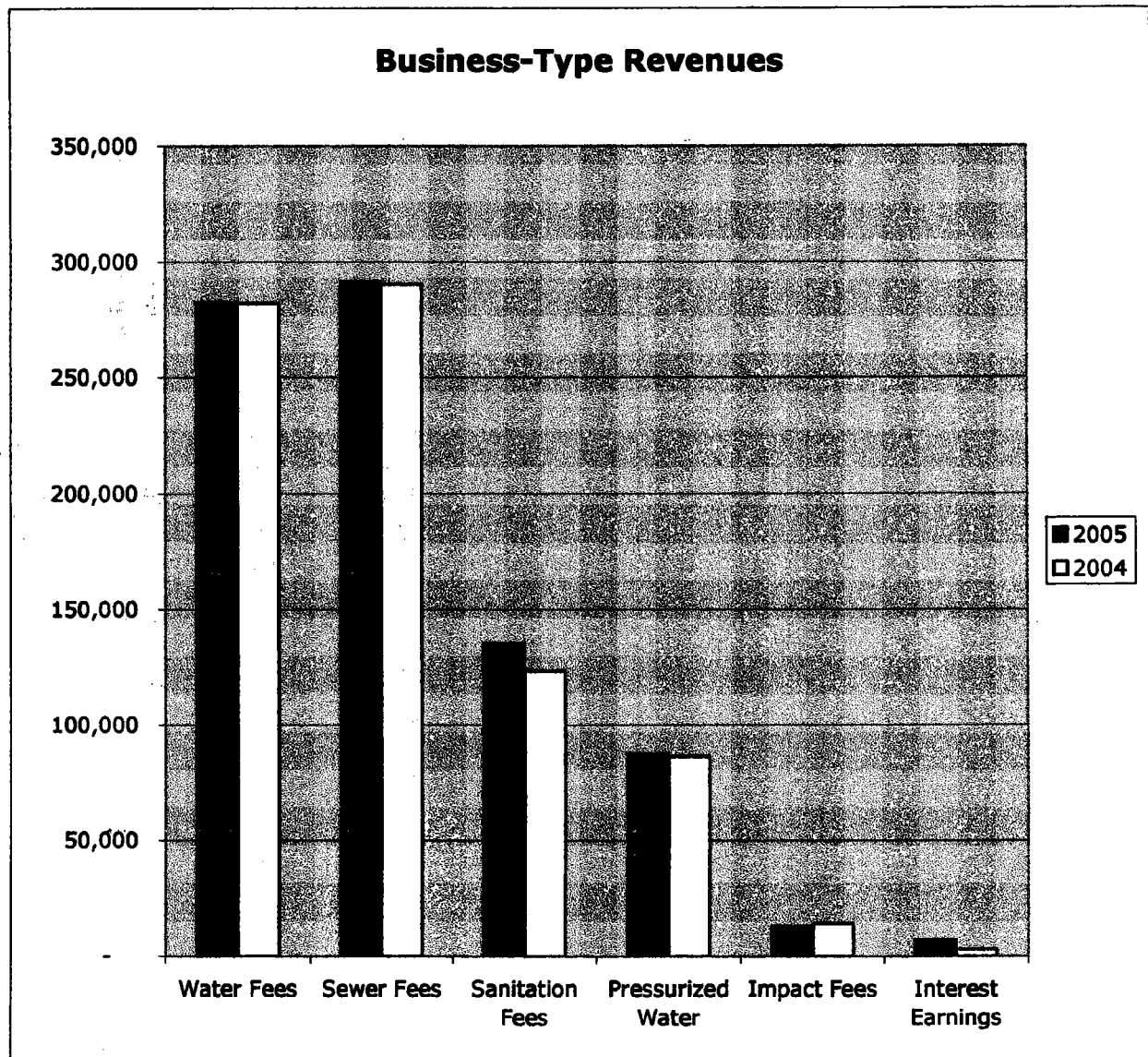
Salina City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

| | 2005 | 2004 |
|---------------------------|------------------|------------------|
| General Government | 261,943 | 222,804 |
| Public Safety | 503,302 | 570,240 |
| Highways & Streets | 352,715 | 465,258 |
| Parks & Recreation | 281,891 | 320,922 |
| Economic Development | 22,506 | 19,130 |
| Interest on Debt | 55,600 | 23,862 |
| Total Expenditures | 1,477,957 | 1,622,216 |



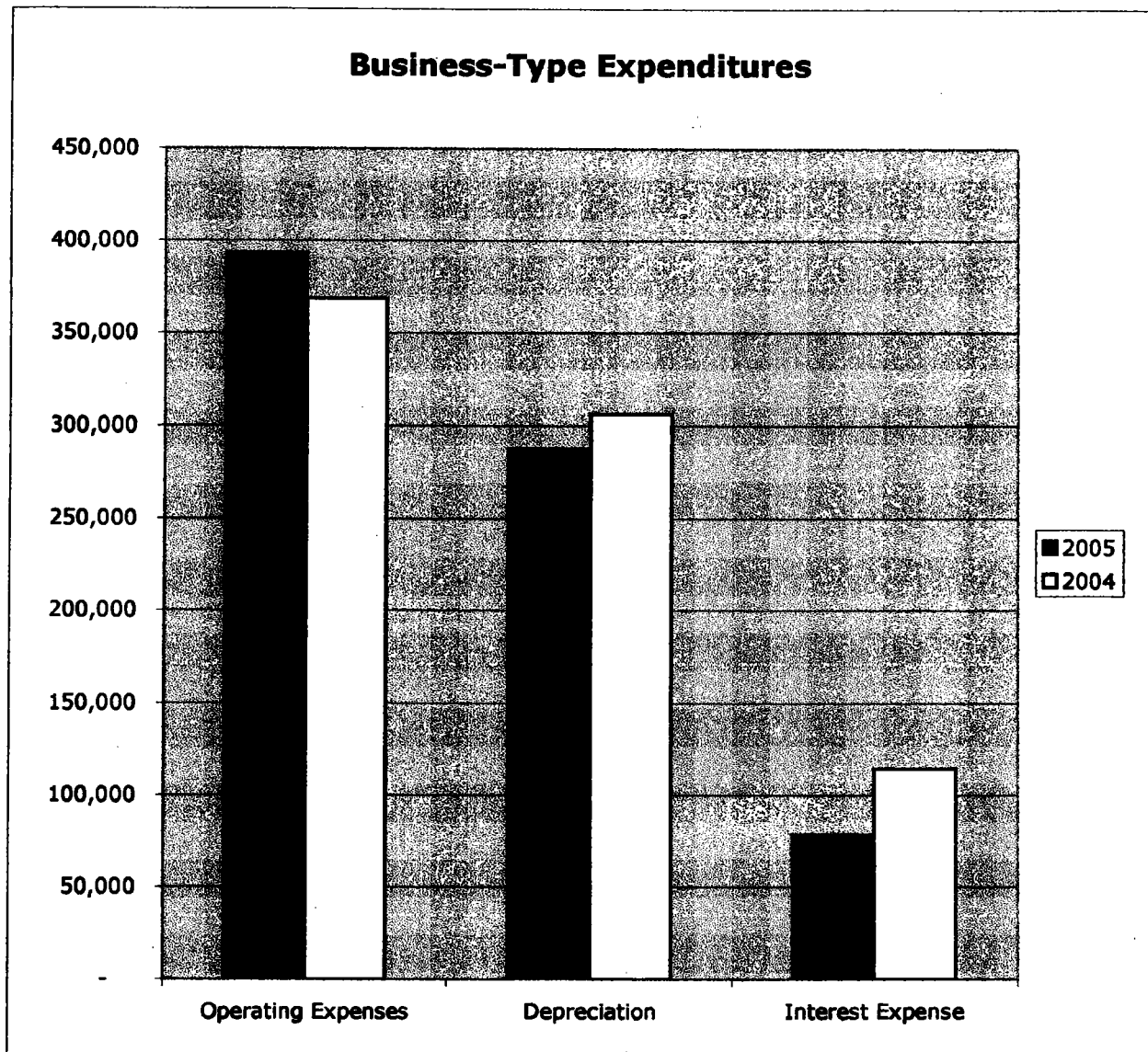
Salina City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004

| | 2005 | 2004 |
|-----------------------|----------------|----------------|
| Water Fees | 282,519 | 282,000 |
| Sewer Fees | 291,372 | 290,144 |
| Sanitation Fees | 135,191 | 123,099 |
| Pressurized Water | 87,428 | 86,296 |
| Impact Fees | 12,900 | 14,000 |
| Interest Earnings | 7,080 | 2,912 |
| Total Revenues | 816,490 | 798,451 |



Salina City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

| | 2005 | 2004 |
|---------------------------|----------------|----------------|
| Operating Expenses | 393,208 | 368,554 |
| Depreciation | 287,787 | 306,279 |
| Interest Expense | 78,639 | 114,499 |
| Total Expenditures | 759,634 | 789,332 |



(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

SALINA CITY
STATEMENT OF NET ASSETS
June 30, 2005

| | Primary Government | | |
|--|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | 500,346 | 254,474 | 754,820 |
| Accounts Receivable (Net) | 10,695 | 73,451 | 84,146 |
| Due From Other Government Units | 40,667 | - | 40,667 |
| Total Current Assets | 551,708 | 327,925 | 879,633 |
| Noncurrent Assets: | | | |
| Restricted Cash and Cash Equivalents | 254,444 | 88,650 | 343,094 |
| Capital Assets (Net of Accumulated Depreciation): | | | |
| Land | 641,770 | 138,200 | 779,970 |
| Water Shares | - | 101,703 | 101,703 |
| Buildings | 1,545,423 | 53,981 | 1,599,404 |
| Improvements Other Than Buildings | - | 8,870,278 | 8,870,278 |
| Equipment | 444,381 | 63,738 | 508,119 |
| Infrastructure | 1,970,700 | - | 1,970,700 |
| Total Noncurrent Assets | 4,856,718 | 9,316,550 | 14,173,268 |
| TOTAL ASSETS | 5,408,426 | 9,644,475 | 15,052,901 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 108,767 | 32,167 | 140,934 |
| Accrued Liabilities | 4,094 | - | 4,094 |
| Deposits Payable | - | 38,963 | 38,963 |
| Bond Interest Payable | 22,000 | 27,600 | 49,600 |
| Capital Lease Payable - Due Within One Year | 50,403 | - | 50,403 |
| Notes Payable - Due Within One Year | 11,443 | - | 11,443 |
| General Obligation Bonds - Due Within One Year | - | 53,014 | 53,014 |
| Revenue Bonds Payable - Due Within One Year | 108,000 | 152,985 | 260,985 |
| Total Current Liabilities | 304,707 | 304,729 | 609,436 |
| Noncurrent Liabilities: | | | |
| Capital Lease Payable - More Than One Year | 285,558 | - | 285,558 |
| Notes Payable - More Than One Year | 37,876 | - | 37,876 |
| General Obligation Bonds - More Than One Year | - | 1,468,629 | 1,468,629 |
| Revenue Bonds Payable - More Than One Year | 1,145,000 | 2,531,642 | 3,676,642 |
| Compensated Absences | 13,522 | - | 13,522 |
| Total Noncurrent Liabilities | 1,481,956 | 4,000,271 | 5,482,227 |
| TOTAL LIABILITIES | 1,786,663 | 4,305,000 | 6,091,663 |
| NET ASSETS | | | |
| Investment in Capital Assets, Net of Debt | 2,946,994 | 4,994,030 | 7,941,024 |
| Restricted For: | | | |
| Bond Retirement | 88,900 | 86,400 | 175,300 |
| Impact Fees | - | 2,250 | 2,250 |
| Cemetery Perpetual Care | 44,044 | - | 44,044 |
| Capital Outlay | 121,500 | - | 121,500 |
| Unrestricted | 420,325 | 256,795 | 677,120 |
| TOTAL NET ASSETS | 3,621,763 | 5,339,475 | 8,961,238 |
| TOTAL LIABILITIES AND NET ASSETS | 5,408,426 | 9,644,475 | 15,052,901 |

The notes to the financial statements are an integral part of this statement.

SALINA CITY
STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

| Function/Programs Primary Government: | Program Revenues | | Net (Expense) Revenues and | |
|---------------------------------------|----------------------|--------------------------------|------------------------------|--------------------------|
| | Charges for Services | Operating Grants/Contributions | Capital Grants/Contributions | Changes in Net Assets |
| | Expenses | | | Governmental Activities |
| Governmental Activities: | | | | Business-Type Activities |
| General Government | 261,943 | 145,458 | - | (116,485) |
| Public Safety | 503,302 | 8,142 | 164,991 | (286,405) |
| Highways and Public Improvements | 352,715 | - | - | (253,181) |
| Park and Recreation | 281,891 | 16,105 | - | (262,257) |
| Economic Development | 22,506 | 31,824 | - | 29,318 |
| Interest on Long-Term Debt | 55,600 | - | - | (78,639) |
| Total Governmental Activities | 1,477,957 | 201,529 | 164,991 | (944,610) |
| Business-Type Activities: | | | | |
| Water Fund | 260,565 | 282,519 | - | 21,954 |
| Sewer Fund | 179,964 | 291,372 | - | 111,408 |
| Nonmajor Funds | 240,466 | 222,619 | - | (17,847) |
| Total Business-Type Activities | 680,995 | 796,510 | - | 115,515 |
| Total Primary Government | 2,158,952 | 998,039 | 164,991 | (907,734) |
| General Revenues: | | | | |
| Property Taxes | | | | 151,683 |
| Fee-In-Lieu of Property Taxes | | | | 76,270 |
| Sales Taxes | | | | 372,807 |
| Transient Room Taxes | | | | 17,455 |
| Franchise Taxes | | | | 8,014 |
| Highway Taxes | | | | 80,643 |
| Impact Fees | | | | 12,900 |
| Gain on Sale of Fixed Assets | | | | 17,300 |
| Unrestricted Investment Earnings | | | | 7,080 |
| Total General Revenues and Transfers | | | | 779,235 |
| Change in Net Assets | | | | (128,499) |
| Net Assets - Beginning | | | | 9,089,737 |
| Net Assets - Ending | | | | 8,961,238 |

The notes to the financial statements are an integral part of this statement.

**SALINA CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|-----------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | 428,245 | 326,544 | 754,789 |
| Accounts Receivable (Net) | 10,695 | - | 10,695 |
| Due From Other Government Units | 20,667 | 20,000 | 40,667 |
| Due From Other Funds | 392,524 | - | 392,524 |
| TOTAL ASSETS | <u>852,131</u> | <u>346,544</u> | <u>1,198,675</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | 108,767 | - | 108,767 |
| Accrued Liabilities | 4,094 | - | 4,094 |
| Due to General Fund | - | 392,524 | 392,524 |
| Total Liabilities | <u>112,861</u> | <u>392,524</u> | <u>505,385</u> |
| Fund Balances: | | | |
| Reserved For: | | | |
| Bond Reserve | 88,900 | - | 88,900 |
| Cemetery Perpetual Care | - | 44,044 | 44,044 |
| Capital Outlay | 121,500 | - | 121,500 |
| Unreserved, Reported In: | | | |
| General Fund | 528,870 | - | 528,870 |
| Special Revenue Funds | - | (139,477) | (139,477) |
| Capital Project Fund | - | 49,453 | 49,453 |
| Total Fund Balance | <u>739,270</u> | <u>(45,980)</u> | <u>693,290</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>852,131</u> | <u>346,544</u> | <u>1,198,675</u> |

The notes to the financial statements are an integral part of this statement.

SALINA CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

| | |
|---|---------|
| Total Fund Balances - Governmental Fund Types | 693,290 |
|---|---------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | | |
|----------------|------------------|--|
| Land | 641,770 | |
| Buildings | 1,545,423 | |
| Equipment | 444,381 | |
| Infrastructure | <u>1,970,700</u> | |

| | | |
|-------|--|-----------|
| Total | | 4,602,274 |
|-------|--|-----------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|-----------------------|-----------------|--|
| Bond Interest Payable | (22,000) | |
| Capital Lease Payable | (335,960) | |
| Notes Payable | (49,319) | |
| Revenue Bonds | (1,253,000) | |
| Compensated Absences | <u>(13,522)</u> | |

| | | |
|-------|--|--------------------|
| Total | | <u>(1,673,801)</u> |
|-------|--|--------------------|

| | |
|-------------------------------------|------------------|
| Net Assets of Government Activities | <u>3,621,763</u> |
|-------------------------------------|------------------|

SALINA CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | 600,319 | 106,553 | 706,872 |
| Licenses and Permits | 16,036 | - | 16,036 |
| Intergovernmental Revenue | 311,819 | 20,000 | 331,819 |
| Charges for Services | 24,247 | 26,398 | 50,645 |
| Fines and Forfeitures | 106,648 | - | 106,648 |
| Interest | 26,598 | 8,484 | 35,082 |
| Miscellaneous Revenues | 24,973 | 5,426 | 30,399 |
| Total Revenues | <u>1,110,640</u> | <u>166,861</u> | <u>1,277,501</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | 250,948 | - | 250,948 |
| Public Safety | 433,996 | - | 433,996 |
| Highways and Public Improvements | 107,567 | - | 107,567 |
| Parks and Recreation | 172,485 | 75,474 | 247,959 |
| Economic Development | - | 22,506 | 22,506 |
| Capital Outlay | 377,736 | - | 377,736 |
| Debt Service: | | | |
| Principal | 104,978 | 59,519 | 164,497 |
| Interest | 34,012 | 22,088 | 56,100 |
| Total Expenditures | <u>1,481,722</u> | <u>179,587</u> | <u>1,661,309</u> |
| Excess Revenues Over (Under) Expenditures | <u>(371,082)</u> | <u>(12,726)</u> | <u>(383,808)</u> |
| Other Financing Sources (Uses): | | | |
| Sale of Fixed Assets | - | 15,100 | 15,100 |
| Net Change In Fund Balance | <u>(371,082)</u> | <u>2,374</u> | <u>(368,708)</u> |
| Fund Balance - Beginning | <u>1,110,352</u> | <u>(48,354)</u> | <u>1,061,998</u> |
| Fund Balance - Ending | <u><u>739,270</u></u> | <u><u>(45,980)</u></u> | <u><u>693,290</u></u> |

The notes to the financial statements are an integral part of this statement.

SALINA CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

| | |
|---|-----------|
| Net Changes in Fund Balances - Total Governmental Funds | (368,708) |
|---|-----------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

| | | |
|----------------------|------------------|--------|
| Capital Outlay | 377,736 | |
| Depreciation Expense | <u>(357,814)</u> | |
| Total | | 19,922 |

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

| | | |
|-------------------------------------|----------------|----------------|
| Accrued Interest Payable | 500 | |
| Compensated Absences | (1,566) | |
| Principal Payment on Long-Term Debt | <u>164,497</u> | |
| Total | | <u>163,431</u> |

| | |
|--|-------------------------|
| Changes In Net Assets of Governmental Activities | <u><u>(185,355)</u></u> |
|--|-------------------------|

**SALINA CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

| | Business-Type Activities Enterprise Fund | | | |
|---|---|------------------|-------------------|------------------|
| | Water | Sewer | Nonmajor Funds | Total |
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | 279,107 | (126,694) | 104,311 | 256,724 |
| Accounts Receivable | 25,717 | 27,308 | 20,426 | 73,451 |
| Total Current Assets | 304,824 | (99,386) | 124,737 | 330,175 |
| Noncurrent Assets: | | | | |
| Investments - Restricted: | | | | |
| Bond Reserves | | 86,400 | - | 86,400 |
| Capital Assets: (Net of Accum. Depreciation) | | | | |
| Land | 7,265 | 100,835 | 30,100 | 138,200 |
| Water Shares | 21,450 | - | 80,253 | 101,703 |
| Buildings | 2,861 | 51,120 | - | 53,981 |
| Improvements Other Than Buildings | 3,985,582 | 3,995,956 | 888,740 | 8,870,278 |
| Equipment | 9,087 | 53,517 | 1,134 | 63,738 |
| Total Noncurrent Assets | 4,026,245 | 4,287,828 | 1,000,227 | 9,314,300 |
| TOTAL ASSETS | 4,331,069 | 4,188,442 | 1,124,964 | 9,644,475 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accrued Liabilities - Postclosure | 1,596 | 1,344 | 29,227 | 32,167 |
| Customer Deposits Payable | 38,963 | - | - | 38,963 |
| Bond Interest Payable | 7,800 | 19,800 | - | 27,600 |
| Bonds Payable - Current Portion | 58,999 | 147,000 | - | 205,999 |
| Total Current Liabilities | 107,358 | 168,144 | 29,227 | 304,729 |
| Noncurrent Liabilities: | | | | |
| Bonds Payable - Long-Term Portion | 1,468,629 | 2,531,642 | - | 4,000,271 |
| TOTAL LIABILITIES | 1,575,987 | 2,699,786 | 29,227 | 4,305,000 |
| NET ASSETS: | | | | |
| Invested in Capital Assets, Net of Related Debt | 2,490,817 | 1,502,986 | 1,000,227 | 4,994,030 |
| Restricted for: | | | | |
| Bond Reserves | - | 86,400 | - | 86,400 |
| Impact Fees | - | - | 2,250 | 2,250 |
| Unrestricted | 264,265 | (100,730) | 93,260 | 256,795 |
| TOTAL NET ASSETS | 2,755,082 | 1,488,656 | 1,095,737 | 5,339,475 |
| TOTAL LIABILITIES AND NET ASSETS | 4,331,069 | 4,188,442 | 1,124,964 | 9,644,475 |

The notes to the financial statements are an integral part of this statement.

SALINA CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

| | Business-Type Activities Enterprise Fund | | | |
|--|---|-------------------------|-------------------------|-------------------------|
| | Water | Sewer | Nonmajor Funds | Total |
| Operating Revenues: | | | | |
| Charges for Sales and Services: | | | | |
| Utility Charges | <u>282,519</u> | <u>291,372</u> | <u>222,619</u> | <u>796,510</u> |
| Operating Expenses: | | | | |
| Costs of Sales and Services | 111,618 | 74,604 | 206,986 | 393,208 |
| Depreciation | <u>148,947</u> | <u>105,360</u> | <u>33,480</u> | <u>287,787</u> |
| Total Operating Expenses | <u>260,565</u> | <u>179,964</u> | <u>240,466</u> | <u>680,995</u> |
| Operating Income | <u>21,954</u> | <u>111,408</u> | <u>(17,847)</u> | <u>115,515</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Investment Earnings | 6,214 | 739 | 127 | 7,080 |
| Impact Fees | 4,650 | 6,000 | 2,250 | 12,900 |
| Interest Expense | <u>(51,407)</u> | <u>(27,232)</u> | <u>-</u> | <u>(78,639)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(40,543)</u> | <u>(20,493)</u> | <u>2,377</u> | <u>(58,659)</u> |
| Change in Net Assets | (18,589) | 90,915 | (15,470) | 56,856 |
| Total Net Assets - Beginning | <u>2,773,671</u> | <u>1,397,741</u> | <u>1,111,207</u> | <u>5,282,619</u> |
| Total Net Assets - Ending | <u><u>2,755,082</u></u> | <u><u>1,488,656</u></u> | <u><u>1,095,737</u></u> | <u><u>5,339,475</u></u> |

The notes to the financial statements are an integral part of this statement.

**SALINA CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

| | Business-Type Activities Enterprise Fund | | | |
|--|---|------------------------|-----------------------|-----------------------|
| | Water | Sewer | Nonmajor Funds | Total |
| Cash Flows From Operating Activities: | | | | |
| Receipts From Customers | 282,511 | 291,029 | 222,904 | 796,444 |
| Payments to Suppliers | (65,708) | (39,806) | (191,396) | (296,910) |
| Payments to Employees | (43,163) | (34,544) | (27,023) | (104,730) |
| Net Cash Provided by Operating Activities | <u>173,640</u> | <u>216,679</u> | <u>4,485</u> | <u>394,804</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Principal Paid on Capital Debt | (57,336) | (152,758) | - | (210,094) |
| Interest Paid on Capital Debt | (51,921) | (28,318) | - | (80,239) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(109,257)</u> | <u>(181,076)</u> | <u>-</u> | <u>(290,333)</u> |
| Cash Flows from Investing Activities: | | | | |
| Interest Received | 6,214 | 739 | 129 | 7,082 |
| Impact Fees | 4,650 | 6,000 | 2,250 | 12,900 |
| Net Cash Provided (Used) by Investing Activities | <u>10,864</u> | <u>6,739</u> | <u>2,379</u> | <u>19,982</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 75,247 | 42,342 | 6,864 | 124,453 |
| Cash and Cash Equivalents - Beginning | <u>203,860</u> | <u>(82,636)</u> | <u>97,447</u> | <u>218,671</u> |
| Cash and Cash Equivalents - Ending | <u><u>279,107</u></u> | <u><u>(40,294)</u></u> | <u><u>104,311</u></u> | <u><u>343,124</u></u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities: | | | | |
| Operating Income | <u>21,954</u> | <u>111,408</u> | <u>(17,847)</u> | <u>115,515</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities: | | | | |
| Depreciation | 148,947 | 105,360 | 33,480 | 287,787 |
| Increase (Decrease) in Operating Assets | | | | |
| Accounts Receivable | (8) | (343) | 285 | (66) |
| Accrued Liabilities | 2,747 | 254 | (11,433) | (8,432) |
| Total Adjustments | <u>151,686</u> | <u>105,271</u> | <u>22,332</u> | <u>279,289</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>173,640</u></u> | <u><u>216,679</u></u> | <u><u>4,485</u></u> | <u><u>394,804</u></u> |

The notes to the financial statements are an integral part of this statement.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Salina City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Salina City is a municipal corporation in Sevier County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Salina City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Salina City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government also reports the following Other Governmental Funds:

Redevelopment Agency, Building Authority, Capital Projects and Cemetery Perpetual Care.

The Government reports the following Proprietary Funds:

The Utility Fund accounts for the activities of the water, sewer, irrigation and sanitation operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, irrigation and sanitation are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

SALINA CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Buildings | 40 Years |
| Improvements Other Than Buildings | 20 - 50 Years |
| Equipment | 5 - 10 Years |

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the City by Sevier County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end the carrying amounts of bank deposits were \$343,625 and bank balances were \$358,327. Of the bank balance, \$113,367 was covered by federal depository insurance. Cash on hand was \$100.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2005, consist of the following:

| | <u>Fair Value</u> |
|-----------------------------------|-------------------------|
| Cash on Hand | 100 |
| Demand Deposits | 343,625 |
| Investments - PTIF | 668,450 |
| Zions Escrow Accounts | <u>85,739</u> |
| Total Cash and Investments | <u>1,097,914</u> |

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

| | |
|---|-------------------------|
| Governmental Activities - Unrestricted | 500,346 |
| Governmental Activities - Restricted | 254,444 |
| Business-Type Activities - Unrestricted | 254,474 |
| Business-Type Activities - Restricted | <u>88,650</u> |
| Total Cash and Cash Equivalents | <u>1,097,914</u> |

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk:

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addressed each of these risks.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the City are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Of the City's demand deposits, \$113,367 was covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

The ordinance authorizing the 2000 Sewer Revenue Bonds requires that the City establish a sinking fund with deposits of \$2,100 a month for six years to a maximum of \$151,500. The balance at June 30, 2005, was \$75,600.

The 2002 Sewer Revenue Bonds require the City to establish a reserve fund with deposits of \$300 per month over six years to a maximum of \$22,000. The balance at year end was \$10,800. The City was in compliance with this requirement.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - IMPACT FEES

Effective July 1, 1997, the City adopted an impact fee ordinance for water. These fees are recorded as other revenues in the Water Fund. The fee schedule is as follows:

New connections that require a 3/4" service line and meter will pay a one time impact fee of \$1,550.

New connections that require a meter and service line larger than 3/4" and smaller than 2" will pay a one time impact fee of \$3,100.

New connections that require a 2" or larger service line and meter will pay a one time impact fee of \$6,200.

The City is required to place these impact fees into a separate interest bearing account and may spend these funds only on capital improvements, retiring debt for the system, or other expenditures as allowed by law. These funds must be expended within six years from receipt or returned with interest to the payor.

Effective May 4, 1999, the City adopted an impact fee ordinance for pressurized irrigation water. These fees are recorded as other revenues in the irrigation fund. The fee schedule is as follows:

| | |
|--------------|-------|
| 1/4 Acre Lot | 750 |
| 1/3 Acre Lot | 1,500 |
| 1/2 Acre Lot | 1,500 |
| 1 Acre Lot | 3,000 |

The new developments may furnish the City with 1/4 primary water share per 1/2 acre lot size from the Salina Creek Irrigation Company in lieu of paying the impact fee.

Effective April 4, 2000, the City adopted an impact fee ordinance for sewer connections. These fees are recorded as other revenues in the sewer fund. The fee schedule calls for a fee of \$1,000 per equivalent residential unit.

The following is an accounting of impact fees collected, interest earned, and funds expended if any:

| | Impact Fees | Interest Earned | Expenditures | Account Balance |
|-----------|-------------------|--------------------|---------------------|--------------------|
| 1997-2005 | <u>155,100.00</u> | <u>10,232.95</u> | <u>(163,082.95)</u> | <u>2,250.00</u> |

NOTE 5 - WATER SHARES

The Utility Fund has water shares which are shown on the balance sheet at a cost of \$101,703. The current value of the water shares is in excess of the cost.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 595,900 | - | - | 595,900 |
| Land Related to Infrastructure | 45,870 | - | - | 45,870 |
| Total Capital Assets Not Being Depreciated | 641,770 | - | - | 641,770 |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 3,855,775 | - | - | 3,855,775 |
| Equipment | 63,590 | - | - | 63,590 |
| Vehicles | 655,731 | 207,736 | - | 863,467 |
| Infrastructure | 4,523,000 | 170,000 | - | 4,693,000 |
| Total Capital Assets Being Depreciated | 9,098,096 | 377,736 | - | 9,475,832 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 2,259,066 | 51,286 | - | 2,310,352 |
| Equipment | 17,536 | 7,770 | - | 25,306 |
| Vehicles | 393,262 | 64,108 | - | 457,370 |
| Infrastructure | 2,487,650 | 234,650 | - | 2,722,300 |
| Total Accumulated Depreciation | 5,157,514 | 357,814 | - | 5,515,328 |
| Total Capital Assets Being Depreciated (Net) | 3,940,582 | 19,922 | - | 3,960,504 |
| Governmental Activities Capital Assets, Net | 4,582,352 | 19,922 | - | 4,602,274 |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|---------------|-----------|-------------------|
| Business Type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | 138,200 | - | - | 138,200 |
| Water Shares | 101,703 | - | - | 101,703 |
| Total Capital Assets Not Being Depreciated | 239,903 | - | - | 239,903 |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 84,860 | - | - | 84,860 |
| Improvements - Utility Systems | 9,156,382 | - | - | 9,156,382 |
| Equipment | 484,421 | - | - | 484,421 |
| Construction In Progress | 3,043,697 | - | - | 3,043,697 |
| Total Capital Assets Being Depreciated | 12,769,360 | - | - | 12,769,360 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 29,057 | 1,822 | - | 30,879 |
| Improvements - Utility Systems | 3,068,476 | 256,825 | - | 3,325,301 |
| Equipment | 396,043 | 29,140 | - | 425,183 |
| Total Accumulated Depreciation | 3,493,576 | 287,787 | - | 3,781,363 |
| Total Capital Assets Being Depreciated (Net) | 9,275,784 | (287,787) | - | 8,987,997 |
| Business Type Activities Capital Assets, Net | 9,515,687 | (287,787) | - | 9,227,900 |
| Total Capital Assets | 14,098,039 | (267,865) | - | 13,830,174 |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

| | Governmental Activities | Business Type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|----------------|
| General Government | 9,428 | - | 9,428 |
| Public Safety | 69,306 | - | 69,306 |
| Public Health | - | 287,787 | 287,787 |
| Highways and Public Improvements | 245,148 | - | 245,148 |
| Parks and Recreation | 33,932 | - | 33,932 |
| Total Depreciation Expense | <u>357,814</u> | <u>287,787</u> | <u>645,601</u> |

NOTE 7 - LONG-TERM DEBT PAYABLE

Utility Bonds:

Water Revenue Bonds Payable:

1980, \$76,000 Series C Water Revenue Bonds - held by the Community Impact Board, bearing interest at the rate of 5%. The bonds are payable as follows:

| | Principal | Interest | Total |
|-----------|--------------|------------|--------------|
| 2005-2006 | <u>5,985</u> | <u>299</u> | <u>6,284</u> |

The City obtained a \$450,000 loan from the U. S. Rural Development Agency, bearing an interest rate of 4.5%. The monthly payments will be \$2,043 for 40 years. The bonds are payable as follows:

| | Principal | Interest | Total |
|-----------|----------------|----------------|----------------|
| 2005-2006 | 6,014 | 18,502 | 24,516 |
| 2006-2007 | 6,284 | 18,232 | 24,516 |
| 2007-2008 | 6,567 | 17,949 | 24,516 |
| 2008-2009 | 6,863 | 17,653 | 24,516 |
| 2009-2010 | 7,172 | 17,344 | 24,516 |
| 2011-2015 | 41,000 | 81,580 | 122,580 |
| 2016-2020 | 51,093 | 71,487 | 122,580 |
| 2021-2025 | 63,671 | 58,909 | 122,580 |
| 2026-2030 | 79,345 | 43,235 | 122,580 |
| 2031-2035 | 98,879 | 23,701 | 122,580 |
| 2036-2040 | 44,755 | 2,971 | 47,726 |
| Total | <u>411,643</u> | <u>371,563</u> | <u>783,206</u> |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)

Utility Bonds (Continued):

Water Revenue Bonds Payable (Continued):

1998, \$490,000 General Obligation Water Revenue Bonds, Series 1998C - held by the Community Impact Board, bearing interest at the rate of 3%. The bonds are payable as follows

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | 16,000 | 11,610 | 27,610 |
| 2006-2007 | 17,000 | 11,130 | 28,130 |
| 2007-2008 | 17,000 | 10,620 | 27,620 |
| 2008-2009 | 18,000 | 10,110 | 28,110 |
| 2009-2010 | 19,000 | 9,570 | 28,570 |
| 2011-2015 | 102,000 | 39,090 | 141,090 |
| 2016-2020 | 120,000 | 23,100 | 143,100 |
| 2021-2025 | 78,000 | 5,010 | 83,010 |
| Total | <u>387,000</u> | <u>120,240</u> | <u>507,240</u> |

1998, \$510,000 General Obligation Water Revenue Bonds, Series 1998B - held by the Community Impact Board, bearing interest at the rate of 1.85%. The bonds are payable as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | 17,000 | 12,090 | 29,090 |
| 2006-2007 | 18,000 | 11,580 | 29,580 |
| 2007-2008 | 18,000 | 11,040 | 29,040 |
| 2008-2009 | 19,000 | 10,500 | 29,500 |
| 2009-2010 | 19,000 | 9,930 | 28,930 |
| 2011-2015 | 106,000 | 40,590 | 146,590 |
| 2016-2020 | 123,000 | 19,641 | 142,641 |
| 2021-2025 | 83,000 | 2,165 | 85,165 |
| Total | <u>403,000</u> | <u>117,536</u> | <u>520,536</u> |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)

Utility Bonds (Continued):

Water Revenue Bonds Payable (Continued):

1998, \$400,000 General Obligation Water Revenue Bonds, Series 1998A - held by the Utah Drinking Water Board, bearing interest at the rate of 1.85%. The bonds are payable as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|------------------|-----------------|------------------|
| 2005-2006 | 14,000 | 5,920 | 19,920 |
| 2006-2007 | 14,000 | 5,661 | 19,661 |
| 2007-2008 | 15,000 | 5,402 | 20,402 |
| 2008-2009 | 15,000 | 5,125 | 20,125 |
| 2009-2010 | 15,000 | 4,847 | 19,847 |
| 2011-2015 | 81,000 | 19,890 | 100,890 |
| 2016-2020 | 89,000 | 12,155 | 101,155 |
| 2021-2025 | <u>77,000</u> | <u>3,590</u> | <u>80,590</u> |
| Total | <u>320,000</u> | <u>62,590</u> | <u>382,590</u> |
| Total Water Bonds Payable | <u>1,527,628</u> | <u>672,228</u> | <u>2,199,856</u> |

Sewer Revenue Bonds Payable:

2000, \$2,725,000 Sewer Revenue Bonds - held by the State Revolving Fund, bearing interest at the rate of 1%. The bonds are payable as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|------------------|
| 2005-2006 | 128,000 | 23,336 | 151,336 |
| 2006-2007 | 129,000 | 22,056 | 151,056 |
| 2007-2008 | 130,000 | 20,766 | 150,766 |
| 2008-2009 | 131,000 | 19,466 | 150,466 |
| 2009-2010 | 133,000 | 18,156 | 151,156 |
| 2011-2015 | 683,000 | 70,600 | 753,600 |
| 2016-2020 | 719,000 | 35,750 | 754,750 |
| 2021-2025 | <u>280,642</u> | <u>4,132</u> | <u>284,774</u> |
| Total | <u>2,333,642</u> | <u>214,262</u> | <u>2,547,904</u> |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)

Utility Bonds (Continued):

Sewer Revenue Bonds Payable (Continued):

2002, \$400,000 Sewer Revenue Bonds - held by the State Revolving Fund, bearing interest at the rate of 1%. The bonds are payable as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2005-2006 | 19,000 | 3,450 | 22,450 |
| 2006-2007 | 19,000 | 3,260 | 22,260 |
| 2007-2008 | 19,000 | 3,070 | 22,070 |
| 2008-2009 | 19,000 | 2,880 | 21,880 |
| 2009-2010 | 19,000 | 2,690 | 21,690 |
| 2011-2015 | 100,000 | 10,500 | 110,500 |
| 2016-2020 | 106,000 | 5,410 | 111,410 |
| 2021-2025 | 44,000 | 660 | 44,660 |
| Total | <u>345,000</u> | <u>31,920</u> | <u>376,920</u> |
| Total Sewer Bonds Payable | <u>2,678,642</u> | <u>246,182</u> | <u>2,924,824</u> |
| Total Utility Bonds Payable | <u>4,206,270</u> | <u>918,410</u> | <u>5,124,680</u> |

The following is a summary of Utility Bond charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|------------------|-----------------|------------------|
| 2005-2006 | 205,999 | 75,207 | 281,206 |
| 2006-2007 | 203,284 | 71,919 | 275,203 |
| 2007-2008 | 205,567 | 68,847 | 274,414 |
| 2008-2009 | 208,863 | 65,734 | 274,597 |
| 2009-2010 | 212,172 | 62,537 | 274,709 |
| 2011-2015 | 1,113,000 | 262,250 | 1,375,250 |
| 2016-2020 | 1,208,093 | 167,543 | 1,375,636 |
| 2021-2025 | 626,313 | 74,466 | 700,779 |
| 2026-2030 | 79,345 | 43,235 | 122,580 |
| 2031-2035 | 98,879 | 23,701 | 122,580 |
| 2036-2040 | 44,755 | 2,971 | 47,726 |
| Total Utility Bonds | <u>4,206,270</u> | <u>918,410</u> | <u>5,124,680</u> |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)

Governmental Long-Term Debt:

Municipal Building Authority Revenue Bond Payable:

On March 8, 1992, the Salina City council created the Municipal Building Authority of Salina City under Section 11-29-3 of the Utah Code Annotated 1953. The purpose of the Building Authority was to finance construction of an Equestrian/Civic Center.

The Building Authority has executed a lease with Salina City for the lease of the facility. The proceeds of the lease would be used to help retire bonded indebtedness and to cover operation and maintenance costs. However, in lieu of a lease payment the City is giving the Building Authority the retail receipts fees that are collected by the City. Citizens of the community are the trustees of the Building Authority.

On June 9, 1993, the Building Authority issued and sold lease-revenue bonds to the Community Impact Board in the amount of \$500,000, bearing interest at the rate of 3%, to finance these improvements.

The bonds are payable as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | 18,000 | 10,290 | 28,290 |
| 2006-2007 | 19,000 | 9,750 | 28,750 |
| 2007-2008 | 20,000 | 9,180 | 29,180 |
| 2008-2009 | 20,000 | 8,580 | 28,580 |
| 2009-2010 | 21,000 | 7,980 | 28,980 |
| 2011-2015 | 113,000 | 30,180 | 143,180 |
| 2016-2020 | <u>132,000</u> | <u>12,090</u> | <u>144,090</u> |
| Total | <u>343,000</u> | <u>88,050</u> | <u>431,050</u> |

Road Excise Tax Revenue Bond:

On September 3, 2003, the City issued bonds to finance the cost of constructing improvements to certain Class C roads within the boundaries of the City. The bonds carry an interest rate of 2.05% to 4.4% and require yearly payments which begin on September 15, 2004. The City has pledged their Class C Road allotments from the State of Utah until the bonds are paid in full.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)
Governmental Long-Term Debt (Continued):

The bonds are payable as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | 73,000 | 16,398 | 89,398 |
| 2006-2007 | 75,000 | 14,287 | 89,287 |
| 2007-2008 | 78,000 | 11,759 | 89,759 |
| 2008-2009 | 81,000 | 8,855 | 89,855 |
| 2009-2010 | 84,000 | 5,594 | 89,594 |
| 2011-2015 | 88,000 | 1,936 | 89,936 |
| Total | <u>479,000</u> | <u>58,829</u> | <u>537,829</u> |

CIB Firehouse Bond:

On August 1, 2002, the City issued bond to finance the cost of constructing a City firehouse. The bonds carry an interest rate of 2.5% and require yearly payments that begin on September 1, 2004.

The bonds are payable as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------|-------------------------|-----------------------|-------------------------|
| 2005-2006 | 17,000 | 10,775 | 27,775 |
| 2006-2007 | 18,000 | 10,350 | 28,350 |
| 2007-2008 | 19,000 | 9,900 | 28,900 |
| 2008-2009 | 20,000 | 9,435 | 29,435 |
| 2009-2010 | 20,000 | 8,925 | 28,925 |
| 2011-2015 | 107,000 | 36,850 | 143,850 |
| 2016-2020 | 121,000 | 22,900 | 143,900 |
| 2021-2025 | 109,000 | 6,900 | 115,900 |
| Total | <u>431,000</u> | <u>116,035</u> | <u>547,035</u> |
| Total Governmental Bonds | <u><u>1,253,000</u></u> | <u><u>262,914</u></u> | <u><u>1,515,914</u></u> |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)

The following is a schedule of changes in Bonds Payable:

| Bond Issue | Date of Issue | Interest Rate | Total Authorized | Outstanding June 30, 2004 | Current Year Changes | | Outstanding June 30, 2005 |
|------------------------------|---------------|---------------|------------------|---------------------------|----------------------|---------|---------------------------|
| | | | | | Issued | Matured | |
| Utility Bonds: | | | | | | | |
| Water Revenue Bonds | 1980 | 5% | 76,000 | 11,688 | - | 5,703 | 5,985 |
| Water Revenue Bonds | 1998 | 4.50% | 450,000 | 416,276 | - | 4,633 | 411,643 |
| Water Revenue Bonds | 1998 | 3% | 490,000 | 403,000 | - | 16,000 | 387,000 |
| Water Revenue Bonds | 1998 | 1.85% | 510,000 | 420,000 | - | 17,000 | 403,000 |
| Water Revenue Bonds | 1998 | 1.85% | 400,000 | 334,000 | - | 14,000 | 320,000 |
| Sewer Revenue Bonds | 2000 | 1% | 2,725,000 | 2,459,642 | - | 126,000 | 2,333,642 |
| Sewer Revenue Bonds | 2002 | 1% | 400,000 | 364,000 | - | 19,000 | 345,000 |
| Total Utility Funds | | | | 4,408,606 | - | 202,336 | 4,206,270 |
| General Long-Term Debt: | | | | | | | |
| Building Authority Bond | 1993 | 3% | 500,000 | 361,000 | - | 18,000 | 343,000 |
| Class C Road Excise Bond | 2004 | 2.05-4.4% | 550,000 | 550,000 | - | 71,000 | 479,000 |
| CIB Firehouse Bond | 2004 | 2.50% | 447,961 | 447,961 | - | 16,961 | 431,000 |
| Total General Long-Term Debt | | | | 1,358,961 | - | 105,961 | 1,253,000 |
| Total Bonded Indebtedness | | | | 5,767,567 | - | 308,297 | 5,459,270 |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)

Governmental Long-Term Debt (Continued):

Notes Payable:

During the 1998-1999 fiscal year the City acquired approximately 306 acres of land for \$122,400. The City paid \$15,000 down and financed \$107,400 over 10 years at 5% interest. The yearly payments are \$13,908.79.

The following is a summary of debt service charges to maturity:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|---------------|
| 2005-2006 | 11,443 | 2,466 | 13,909 |
| 2006-2007 | 12,015 | 1,894 | 13,909 |
| 2007-2008 | 12,616 | 1,293 | 13,909 |
| 2008-2009 | 13,245 | 664 | 13,909 |
| Total | <u>49,319</u> | <u>6,317</u> | <u>55,636</u> |

Industrial Park:

During prior fiscal years the City began infrastructure development for phase one of the industrial park commercial center project. This phase consists of water, sewer and street development. Funding for phase one of the project consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|---------------------|------------------|
| EDA Grant | 735,000 |
| City's Contribution | <u>315,000</u> |
| Total | <u>1,050,000</u> |

To finance the City's portion of the cost the City entered into a lease-purchase agreement with Zions First National Bank. The bank agreed to loan the City \$400,000 as needed. At year end the City had borrowed \$274,026. The terms of the lease require yearly payments allocated over ten years. The interest rate is variable at 75% of prime.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)
Governmental Long-Term Debt (Continued):

The debt service charges to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | 32,643 | 6,336 | 38,979 |
| 2006-2007 | 33,623 | 5,356 | 38,979 |
| 2007-2008 | 34,631 | 4,348 | 38,979 |
| 2008-2009 | 35,670 | 3,309 | 38,979 |
| 2009-2010 | 36,740 | 2,239 | 38,979 |
| 2011-2015 | 28,553 | 1,137 | 29,690 |
| Total | <u>201,860</u> | <u>22,725</u> | <u>224,585</u> |

Zions Bank Lease Obligation:

During the 2003/2004 year the City obtained financing from Zions Bank in the amount of \$187,000 for the purpose of acquiring additional property in the industrial park. The terms of the lease require yearly payments of \$21,843.22 including interest at 75% of prime rate. The balance of loan at year end amounted to \$169,934.

The debt service charges to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|------------------|-----------------|----------------|
| 2005-2006 | 17,760 | 4,083 | 21,843 |
| 2006-2007 | 18,293 | 3,550 | 21,843 |
| 2007-2008 | 18,842 | 3,001 | 21,843 |
| 2008-2009 | 19,407 | 2,436 | 21,843 |
| 2009-2010 | 19,989 | 1,853 | 21,842 |
| 2011-2015 | 39,810 | 1,891 | 41,701 |
| Total | <u>134,101</u> | <u>16,814</u> | <u>150,915</u> |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT PAYABLE (CONTINUED)
Governmental Long-Term Debt (Continued):

The following is a schedule of changes in Governmental Long-Term Debt:

| | Balance June 30, 2004 | Issued | Matured | Balance June 30, 2005 |
|--------------------------------|--------------------------|----------|----------------|--------------------------|
| Building Authority Bond | 361,000 | - | 18,000 | 343,000 |
| Class C Excise Tax Bond | 550,000 | - | 71,000 | 479,000 |
| CIB Firehouse Bond | 447,961 | - | 16,961 | 431,000 |
| Note Payable - Torgerson Prop. | 60,217 | - | 10,898 | 49,319 |
| Lease Obligation - Zions | 232,481 | - | 30,621 | 201,860 |
| Lease Obligation - Zions | 151,118 | - | 17,017 | 134,101 |
| | <u>1,802,777</u> | <u>-</u> | <u>164,497</u> | <u>1,638,280</u> |

Compensated Absences:

Compensated absences of Salina City in the general long-term debt account group represent accrued vacation at June 30, 2005, in the amount of \$13,522. The following is a statement of changes in compensated absences:

| | Balance June 30, 2004 | Additions | Deletions | Balance June 30, 2005 |
|----------------------|--------------------------|--------------|-----------|--------------------------|
| Compensated Absences | <u>11,955</u> | <u>1,567</u> | <u>-</u> | <u>13,522</u> |

NOTE 8 - REDEVELOPMENT AGENCY

Salina City organized a Redevelopment Agency (RDA) during 2001. The mayor and city council of Salina City are the governing board of the Redevelopment agency. The Redevelopment Agency will be considered a blended component unit of Salina City for financial reporting purposes. The area of the District is approximately 640 acres in the proposed industrial park south of Salina. Initially the agency will identify 100 acres as a project area.

The agency is in the process of providing infrastructure, namely; water, sewer, utilities and streets.

The agency is borrowing money from the City's general fund to finance the construction of the infrastructure in the industrial park. The agency will then use the tax increment monies to repay the general fund.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - REDEVELOPMENT AGENCY (CONTINUED)

During the current fiscal year there were no tax increment monies collected. The only outstanding debt is \$251,179 plus the amount owed to the City of \$392,524.

Expenditures for the project to date are as follows:

| | <u>2002-2003</u> | <u>2003</u> | <u>2004</u> | <u>Totals</u> |
|---|------------------|----------------|---------------|------------------|
| Land | - | - | - | - |
| Site Improvements | 199,034 | 1,541 | 2,112 | 202,687 |
| Installation of Utilities and Improvements | 784,283 | - | - | 784,283 |
| Administrative Costs | 37,573 | 18,170 | 20,318 | 76,061 |
| Debt Service - Principal | 118,097 | 76,000 | 41,518 | 235,615 |
| Debt Service - Interest | <u>10,691</u> | <u>17,204</u> | <u>11,573</u> | <u>39,468</u> |
| Total | <u>1,149,678</u> | <u>112,915</u> | <u>75,521</u> | <u>1,338,114</u> |

NOTE 9 - CLASS "C" ROAD

The following schedule is a statement of revenues, expenditures and changes in Class "C" Road:

| | |
|-----------------------------|------------------|
| Balance - Beginning of Year | 92,280 |
| Receipts: | |
| Class "C" Road Allotment | 99,512 |
| Interest | <u>135</u> |
| Total Receipts | 99,647 |
| Expenditures | <u>(191,927)</u> |
| Balance - End of Year | <u>-</u> |

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 10 - CEMETERY PERPETUAL CARE FUND

The following schedule is a statement of revenues, expenses and changes in fund balances:

| | |
|-----------------------------------|----------------------|
| Balance - Beginning of Year | 44,044 |
| Operating Revenues: | |
| Interest | 3,356 |
| Expenditures: | |
| Transfer Interest to General Fund | <u>(3,356)</u> |
| Balance - End of Year | <u><u>44,044</u></u> |

NOTE 11 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Salina City contributes to the Local Governmental Noncontributory Retirement System and Public Safety System Other Division A Noncontributory for employers with Social Security coverage both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement System (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Salina City is required to contribute a percent of covered salary to the respective systems; 11.09% to the Noncontributory and 19.08% to the Public Safety Other Division A Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

SALINA CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 11 - PENSION PLAN (CONTINUED)

Salina City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$24,503.77, \$20,775.25 and \$20,140.31; and for the Public Safety Other Division A Noncontributory System, \$37,236.66, \$31,662.49 and \$26,279.07 respectively. The contributions were equal to the required contributions for each year.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

(This page contains no information and
is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**SALINA CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u> | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|----------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| General Property Taxes | 142,534 | 142,534 | 143,311 | 777 |
| Prior Years Taxes | 21,823 | 10,000 | 8,372 | (1,628) |
| Fee-In-Lieu | 60,000 | 76,500 | 76,270 | (230) |
| Sales and Use Taxes | 360,000 | 360,000 | 266,254 | (93,746) |
| Franchise Taxes | 7,500 | 8,100 | 8,014 | (86) |
| Transient Room Tax | 15,000 | 17,500 | 17,455 | (45) |
| Total Taxes | 606,857 | 614,634 | 519,676 | (94,958) |
| Licenses and Permits: | | | | |
| Business Licenses | 15,000 | 15,000 | 12,352 | (2,648) |
| Highway Tax | 85,000 | 85,000 | 80,643 | (4,357) |
| Non-Business Licenses and Permits | 5,000 | 5,000 | 3,684 | (1,316) |
| Total Licenses and Permits | 105,000 | 105,000 | 96,679 | (8,321) |
| Intergovernmental Revenue: | | | | |
| State Grants | 28,000 | 102,536 | 115,585 | 13,049 |
| Federal Grants | 43,100 | 43,100 | 37,000 | (6,100) |
| State Liquor Fund Allotment | 5,500 | 5,500 | 4,148 | (1,352) |
| Class C Road | 130,000 | 106,500 | 99,534 | (6,966) |
| Local Agencies | 30,000 | 3,600 | 4,700 | 1,100 |
| County Fire Contract | - | 85,000 | 55,000 | (30,000) |
| Total Intergovernmental Revenue | 236,600 | 346,236 | 315,967 | (30,269) |
| Parks and Recreation: | | | | |
| Swimming Pool Fees | 19,700 | 18,000 | 10,316 | (7,684) |
| Special Police Services | 3,600 | 3,500 | 3,994 | 494 |
| Cemetery | 6,500 | 6,000 | 2,720 | (3,280) |
| Other | 500 | 5,200 | 3,069 | (2,131) |
| Total Charges for Services | 30,300 | 32,700 | 20,099 | (12,601) |

Continued

**SALINA CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> (Budgetary Basis) (See Note A) | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|----------------------------------|-------------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues (Continued): | | | | |
| Fines and Forfeitures | <u>102,500</u> | <u>100,000</u> | <u>106,648</u> | <u>6,648</u> |
| Miscellaneous Revenue: | | | | |
| Interest | 7,000 | 22,500 | 26,598 | 4,098 |
| Rents | 10,300 | 9,000 | 8,300 | (700) |
| Sale of Fixed Assets | 15,100 | 15,100 | 2,200 | (12,900) |
| Transfers from Other Funds | 265,775 | 199,203 | - | (199,203) |
| Other | <u>1,000</u> | <u>8,300</u> | <u>14,473</u> | <u>6,173</u> |
| Total Miscellaneous Revenue | <u>299,175</u> | <u>254,103</u> | <u>51,571</u> | <u>(202,532)</u> |
| Contributions and Transfers: | | | | |
| Use of Surplus | <u>195,000</u> | <u>195,000</u> | <u>-</u> | <u>(195,000)</u> |
| Total Revenues | <u>1,575,432</u> | <u>1,647,673</u> | <u>1,110,640</u> | <u>(537,033)</u> |
| Expenditures: | | | | |
| General Government: | | | | |
| Administration | <u>182,350</u> | <u>201,025</u> | <u>197,192</u> | <u>3,833</u> |
| Judicial: | | | | |
| Court | <u>55,050</u> | <u>61,050</u> | <u>53,756</u> | <u>7,294</u> |
| Public Safety: | | | | |
| Law Enforcement | 409,700 | 409,350 | 390,345 | 19,005 |
| Fire Department | <u>54,100</u> | <u>69,300</u> | <u>43,651</u> | <u>25,649</u> |
| Total Public Safety | <u>463,800</u> | <u>478,650</u> | <u>433,996</u> | <u>44,654</u> |
| Streets and Public Improvements: | | | | |
| County Roads | <u>90,000</u> | <u>132,850</u> | <u>107,567</u> | <u>25,283</u> |

**SALINA CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> (Budgetary Basis) (See Note A) | <u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|------------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures (Continued): | | | | |
| Parks, Recreation and Public Property: | | | | |
| Airport | 1,500 | 1,500 | 786 | 714 |
| Swimming Pool | 41,300 | 41,950 | 36,105 | 5,845 |
| Recreation | 314,802 | 24,480 | 25,176 | (696) |
| Parks | 15,900 | 26,350 | 28,411 | (2,061) |
| Libraries | 63,230 | 64,280 | 64,777 | (497) |
| Cemetery | 49,600 | 50,600 | 17,230 | 33,370 |
| | | | | |
| Total Parks, Recreation and Public Property | <u>486,332</u> | <u>209,160</u> | <u>172,485</u> | <u>36,675</u> |
| | | | | |
| Debt Service: | | | | |
| Principal Payments | 113,700 | 113,900 | 104,978 | 8,922 |
| Interest and Fiscal Charges | <u>40,000</u> | <u>40,000</u> | <u>34,012</u> | <u>5,988</u> |
| | | | | |
| Total Parks, Recreation and | <u>153,700</u> | <u>153,900</u> | <u>138,990</u> | <u>14,910</u> |
| | | | | |
| Capital Outlay | <u>-</u> | <u>377,736</u> | <u>377,736</u> | <u>-</u> |
| | | | | |
| Nondepartmental: | | | | |
| Transfer to Capital Improvement Fund | <u>144,200</u> | <u>33,302</u> | <u>-</u> | <u>33,302</u> |
| | | | | |
| Total Expenditures | <u>1,575,432</u> | <u>1,647,673</u> | <u>1,481,722</u> | <u>165,951</u> |
| | | | | |
| Net Changes in Fund Balance | <u>-</u> | <u>-</u> | <u>(371,082)</u> | <u>(371,082)</u> |
| | | | | |
| Fund Balance - Beginning of Year | | | <u>1,110,352</u> | |
| | | | | |
| Fund Balance - End of Year | | | <u>739,270</u> | |

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**SALINA CITY
NONMAJOR GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Redevelopment Agency:

The Redevelopment Agency accounts for monies expended for economic development within a certain area within the City.

Building Authority Fund:

This fund is used to construct public facilities in the City and to pay the indebtedness related to the cost of those facilities.

CAPITAL PROJECTS FUND

Capital Projects Fund:

This fund is used to account for the acquisition of capital assets or construction of major capital improvements.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**SALINA CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

| | Redevelopment Agency | Building Authority | Capital Projects | Permanent Fund Perpetual Care | Nonmajor Governmental Funds |
|--|-------------------------|-----------------------|---------------------|--|-----------------------------------|
| ASSETS | | | | | |
| Investments - Unrestricted | - | 233,047 | 49,453 | 44,044 | 326,544 |
| Due From Other Governmental Units | - | 20,000 | - | - | 20,000 |
| TOTAL ASSETS | <u>-</u> | <u>253,047</u> | <u>49,453</u> | <u>44,044</u> | <u>346,544</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Due to General Fund | <u>392,524</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>392,524</u> |
| Total Liabilities | <u>392,524</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>392,524</u> |
| Fund Balances: | | | | | |
| Reserved For: | | | | | |
| Cemetery Perpetual Care | - | - | - | 44,044 | 44,044 |
| Unreserved, Reported in: | | | | | |
| Special Revenue Funds | (392,524) | 253,047 | - | - | (139,477) |
| Capital Improvement Fund | <u>-</u> | <u>-</u> | <u>49,453</u> | <u>-</u> | <u>49,453</u> |
| Total Fund Balances | <u>(392,524)</u> | <u>253,047</u> | <u>49,453</u> | <u>44,044</u> | <u>(45,980)</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>-</u> | <u>253,047</u> | <u>49,453</u> | <u>44,044</u> | <u>346,544</u> |

SALINA CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2005

| | Redevelopment Agency | Building Authority | Capital Projects | Permanent Fund Perpetual Care | Nonmajor Governmental Funds |
|---|-------------------------|-----------------------|---------------------|--|-----------------------------------|
| Revenues: | | | | | |
| Taxes | - | 106,553 | - | - | 106,553 |
| Intergovernmental | - | 20,000 | - | - | 20,000 |
| Charges for Services | - | 26,398 | - | - | 26,398 |
| Interest | 534 | 7,950 | - | - | 8,484 |
| Miscellaneous | - | 5,426 | - | - | 5,426 |
| Total Revenues | 534 | 166,327 | - | - | 166,861 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Economic Development | 22,506 | - | - | - | 22,506 |
| Parks and Recreation | - | 75,474 | - | - | 75,474 |
| Debt Service: | | | | | |
| Principal | 41,519 | 18,000 | - | - | 59,519 |
| Interest | 11,572 | 10,516 | - | - | 22,088 |
| Total Expenditures | 75,597 | 103,990 | - | - | 179,587 |
| Excess of Revenues Over (Under) Expenditures | (75,063) | 62,337 | - | - | (12,726) |
| Other Financing Sources (Uses): | | | | | |
| Sale of Fixed Assets | 15,100 | - | - | - | 15,100 |
| Total Other Financing Sources (Uses) | 15,100 | - | - | - | 15,100 |
| Net Change in Fund Balance | (59,963) | 62,337 | - | - | 2,374 |
| Fund Balances - Beginning | (332,561) | 190,710 | 49,453 | 44,044 | (48,354) |
| Fund Balances - Ending | (392,524) | 253,047 | 49,453 | 44,044 | (45,980) |

SALINA CITY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS

June 30, 2005

| | Nonmajor Business-Type Activities Enterprise Fund | | |
|---|--|-------------------|------------------|
| | <u>Irrigation</u> | <u>Sanitation</u> | <u>Total</u> |
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | (23,290) | 127,601 | 104,311 |
| Accounts Receivable | <u>7,814</u> | <u>12,612</u> | <u>20,426</u> |
| Total Current Assets | <u>(15,476)</u> | <u>140,213</u> | <u>124,737</u> |
| Noncurrent Assets: | | | |
| Capital Assets: (Net of Accum. Depreciation) | | | |
| Land | - | 30,100 | 30,100 |
| Water Shares | 80,253 | - | 80,253 |
| Improvements Other Than Buildings | 754,876 | 133,864 | 888,740 |
| Equipment | <u>1,134</u> | <u>-</u> | <u>1,134</u> |
| Total Noncurrent Assets | <u>836,263</u> | <u>163,964</u> | <u>1,000,227</u> |
| TOTAL ASSETS | <u>820,787</u> | <u>304,177</u> | <u>1,124,964</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable | <u>-</u> | <u>29,227</u> | <u>29,227</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>29,227</u> | <u>29,227</u> |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt | 836,263 | 163,964 | 1,000,227 |
| Restricted For: | | | |
| Impact Fees | 2,250 | - | 2,250 |
| Unrestricted | <u>(17,726)</u> | <u>110,986</u> | <u>93,260</u> |
| TOTAL NET ASSETS | <u>820,787</u> | <u>274,950</u> | <u>1,095,737</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>820,787</u> | <u>304,177</u> | <u>1,124,964</u> |

SALINA CITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS

June 30, 2005

| | Nonmajor Business-Type Activities Enterprise Fund | | |
|--|--|-------------------|------------------|
| | <u>Irrigation</u> | <u>Sanitation</u> | <u>Total</u> |
| Operating Revenues: | | | |
| Charges for Sales and Services: | | | |
| Utility Charges | <u>87,428</u> | <u>135,191</u> | <u>222,619</u> |
| Operating Expenses: | | | |
| Costs of Sales and Services | <u>62,982</u> | <u>144,004</u> | <u>206,986</u> |
| Depreciation | <u>28,980</u> | <u>4,500</u> | <u>33,480</u> |
| Total Operating Expenses | <u>91,962</u> | <u>148,504</u> | <u>240,466</u> |
| Operating Income | <u>(4,534)</u> | <u>(13,313)</u> | <u>(17,847)</u> |
| Nonoperating Revenues (Expenses): | | | |
| Investment Earnings | <u>129</u> | <u>-</u> | <u>129</u> |
| Impact Fees | <u>2,250</u> | <u>-</u> | <u>2,250</u> |
| Total Nonoperating Revenues (Expenses) | <u>2,379</u> | <u>-</u> | <u>2,379</u> |
| Change in Net Assets | <u>(2,155)</u> | <u>(13,313)</u> | <u>(15,468)</u> |
| Total Net Assets - Beginning | <u>822,943</u> | <u>288,264</u> | <u>1,111,207</u> |
| Total Net Assets - Ending | <u>820,788</u> | <u>274,951</u> | <u>1,095,739</u> |

SALINA CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS

June 30, 2005

| | Nonmajor Business-Type Activities Enterprise Fund | | |
|--|--|-------------------|--------------|
| | <u>Irrigation</u> | <u>Sanitation</u> | <u>Total</u> |
| Cash Flows From Operating Activities: | | | |
| Receipts From Customers | 87,522 | 135,382 | 222,904 |
| Payments to Suppliers | (62,525) | (128,871) | (191,396) |
| Payments to Employees | (27,023) | - | (27,023) |
| Net Cash Provided by Operating Activities | (2,026) | 6,511 | 4,485 |
| Cash Flows from Investing Activities: | | | |
| Interest Received | 128 | - | 128 |
| Impact Fees | 2,250 | - | 2,250 |
| Net Cash Provided (Used) by Investing Activities | 2,378 | - | 2,378 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 352 | 6,511 | 6,863 |
| Cash and Cash Equivalents - Beginning | (23,642) | 121,090 | 97,448 |
| Cash and Cash Equivalents - Ending | (23,290) | 127,601 | 104,311 |
| Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities: | | | |
| Operating Income | (4,534) | (13,313) | (17,847) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities: | | | |
| Depreciation | 28,980 | 4,500 | 33,480 |
| Increase (Decrease) in Operating Assets | | | |
| Accounts Receivable | 94 | 191 | 285 |
| Accrued Liabilities | (26,566) | 15,133 | (11,433) |
| Total Adjustments | 2,508 | 19,824 | 22,332 |
| Net Cash Provided (Used) by Operating Activities | (2,026) | 6,511 | 4,485 |

(This page contains no information and
is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Salina City
Salina, Utah 84654

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Salina City as and for the year ended June 30, 2005, which collectively comprise Salina City's basic financial statements and have issued our report thereon dated December 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salina City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

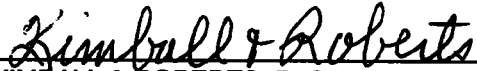
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salina City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Enoch City in a separate letter dated December 23, 2005.

Honorable Mayor and City Council
Salina City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 23, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Salina City
Salina, Utah 84654

We have audited the financial statements of Salina City, for the year ended June 30, 2005, and have issued our report thereon dated December 23, 2005. As part of our audit, we have audited Salina City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

- Class "C" Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- CIB Grant (Department of Community and Economic Development)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements, (However, these programs were subject to testwork as part of the audit of Salina City's financial statements).

- Library Grants (Department of Community and Economic Development)
- Police Grant (Department of Public Safety)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

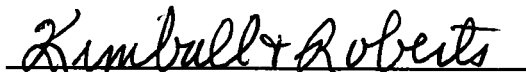
The management of Salina City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council
Salina City
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Salina City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 23, 2005
Richfield, Utah

SALINA CITY
MANAGEMENT LETTER
JUNE 30, 2005

Kimball & Roberts

*Certified Public Accountants
A Professional Corporation*

Box 663

Richfield, Utah 84701

Phone 896-6488

Honorable Mayor and City Council
Salina City
Salina, Utah 84654

During our audit of the funds of Salina City for the fiscal year ended June 30, 2005, we noted certain areas needing corrective action in order for the City to be in compliance with state laws and regulations. We also noted certain circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Fund Balance

Utah Code 10-6-116(2) states that the maximum a city may accumulate in the fund balance cannot exceed 18% of the total estimated revenue of the General Fund.

Finding:

The general fund has a fund balance that exceeds the allowable 18% of total estimated revenues of the General Fund. Total estimated revenue for the General Fund is \$1,110,640. Eighteen percent of the estimated revenue is \$199,915. The unreserved fund balance in the General Fund at year-end was \$528,870.

Recommendation:

We recommend that the fund balance in the General Fund be brought into compliance with state law.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

INTERNAL CONTROLS:

Bank Accounts

Finding:

Our audit revealed that one bank account had not been entered on the books.

Recommendation:

We recommend that all bank accounts be recorded on the books at the time money is deposited and reconciled each month with the general ledger.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Segregation of Duties

Finding:

Our audit revealed that additional segregation of duties would improve internal control over cash receipting.

Recommendation:

We recommend that the Clerk assume some of the responsibilities over cash receipting by taking the bank deposit to the bank and receiving the bank statement unopened and reconciling the bank deposits to the bank statement. This will remove some of the duties of the Treasurer so she won't be doing all of the steps regarding cash receipting.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Cash Disbursements

Finding:

During our audit of cash disbursements we became aware that checks were being held due to insufficient cash flows.

Recommendation:

We recommend that the City review its cash flow problems and take steps to resolve this situation.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Finding:

Our review of cash disbursements disclosed that some improvements would help strengthen control over cash disbursements.

Recommendation:

We recommend the following:


1. We recommend that the Blackhawk Arena checks be disbursed and posted to the general ledger through the Caselle system.
2. We recommend that a list of the handwritten checks be presented to the City Council for their approval on a monthly basis to insure that the Council approves all disbursements.
3. We recommend that the monthly warrant register and check disbursements journal be sent to the City Council members prior to the council meeting so the council members have time to review the disbursements in detail.

Response:

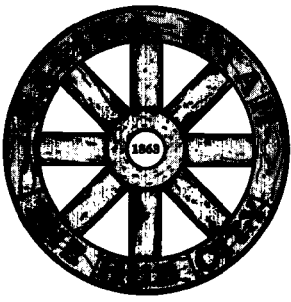
We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Salina City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

December 23, 2005
Richfield, Utah



SALINA CITY CORPORATION

90 WEST MAIN · P.O. BOX 69 · SALINA, UTAH · 84654 · (435) 529-7304
FAX (435) 529-1235

June 1, 2006

State of Utah
Office of the State Auditor
Utah State Capital Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, Utah 84114-2310

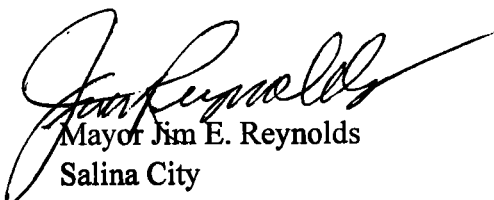
Dear Mr. Moon,

In response to your letter addressing Salina City's budgetary compliance, I am offering the following explanation and solution:

During FYE 6/30/05 the Salina City Fund balances exceeded the allowable 18% of the Estimated General Fund Revenue. This non compliance was pointed out to the Mayor and City Council by the City Auditor. The budget officer at that time was not in agreement that the funds were in excess and therefore the problem was further complicated. Salina City has a new Mayor and Council in place and is working hard to resolve the fund balance situations. Sherri Westbrook, Salina City Recorder, is working closely with the Mayor and Council to see that the funds are not in excess for the current fiscal year.

Please be aware that Salina City has reviewed the non compliance situations and are taking steps to correct the problems and see that they do not happen in the current fiscal year.

Sincerely,


Mayor Jim E. Reynolds
Salina City